
Session 6 (Day 3 Afternoon)

Developing the Local Labor Force¹

Session Overview

In recent years developing the skills of the labor force has been added as a key component of economic development. The advent of new technologies over the last 20 years has shifted the emphasis of local economic development programs from underwriting the cost of capital intensive production to programs that build the labor force skill banks. Competitive nations have a match between the skills of their labor force and the skill requirements of industry.

Labor market reform efforts in the E&E region can build on the educational legacy built during the socialist regime. To do this, however, it will be important to disaggregate the characteristics of both the existing labor force and the emerging markets in regions. Once this is completed, local governments can partner with other tiers of government, universities, vocational training centers, and businesses to identify the appropriate labor force enhancement interventions such training programs and counseling centers.

Session Objectives

- Define the relationship between labor force enhancement and local economic development programs.
- Understand the impact of the E&E economic structural transition on regional labor forces.
- Identify practical approaches that assist in defining labor force intervention programs.
- Provide examples of successful programs in the E&E region.

¹ Session 6 is designed to offer several options. The session can cover the issue of human resource capacity building, as presented. Alternatively, trainers may decide on a different topic during this time period, such as more in-depth presentations on municipal credit and debt capacity. If a three-day course is offered, Session 9 should be substituted for Session 6 during this time period.



Trainer's Notes

1¼ hours Presentation: Developing the Local Labor Force

This presentation is a plenary with open discussion and analysis. This presentation is based on the talking points and overheads that follow the presentation notes. You will need to refer to these to prepare this presentation.

- 15 min*
1. Begin by defining the topic and relating it to the five principles of local economic development introduced in Session 1. In particular participants should focus on principle number 5, "Access to employment opportunities improves the overall wealth of a community." Ask participants to think about the problems facing workers in their region. List responses on the flip chart. Some of the major challenges facing workers in the region include downsizing of old enterprises, lack of skills in using new technology, inappropriate work habits, and insufficient availability of high wage employment.
- 50 min*
2. Once you have generated a list, use the participants' responses as a springboard to introduce the guest speaker. Follow the talking points to discuss how local governments and other community institutions must work together to develop appropriate responses to the changing employment conditions. Emphasize throughout the specific roles that national government, educational institutions, labor unions, and the local government have in this effort. Use specific examples to illustrate how these institutions work together to complete the analysis of the region's labor force and businesses and how the results are integrated into a local economic development program.
- 10 min*
3. Ask if there are any questions before continuing with the case study presentation.

45 min Case Study: Creating a Local Labor Force Enhancement Program²

The presentation from the case study speaker is meant to apply the concepts introduced in the presentation. The speaker should clearly identify the steps taken to create a comprehensive program. The case study presentation should also highlight the results of the program.

- 30 min*
1. Introduce the guest speaker, who will describe a comprehensive labor force enhancement program that his or her community created. Allow the speaker

² Labor force development programs are conducted in many U.S. cities in Michigan, Ohio, and Pennsylvania. The cities of Detroit, Cleveland, and Pittsburgh could be used as case studies.

30 minutes for his or her presentation. The main points that the speaker should address in the case study are as follow:

- Employment conditions before the program began. What industrial sector provided most of the positions, what type of product or service was delivered, and what businesses are most likely to be interested in investing based on the comparative advantage of the region.
- What type of labor force skill analysis was conducted (if any) and who completed it.
- What types of labor force reform programs were created.
- The institutions and government agencies that participated in the overall program design and implementation.
- What impact the program has had on employment conditions.

15 min 2. Ask the participants if there are any questions regarding the case study.

1½ hours Group Assignment: Developing the Framework for a Labor Force Analytical Tool

1. Break participants into small groups that correspond with subregional or country boundaries.

10 min 2. Explain that the groups are to work together to develop the framework for a labor force analytical tool and identify resources that would be necessary to conduct the analysis and develop programs. Each group should list the results they would like to achieve from the programs.

45 min 3. Ask if there are any questions. Allow groups 45 minutes to complete their work. Remind them when there are five minutes left.

35 min 4. After the task has been completed, each group should report on the analysis they conducted and the main points that they observed about creating a labor force enhancement program. The general speaker and the case study presenter should critique the group reports. The main points that should be identified include:

- The relationship between labor force enhancement programs, economic development, and the economic conditions of the region
- The importance of analyzing the local labor conditions when developing labor force enhancement programs

- The importance of involving multiple institutions and the role of the institutions
- The expected results of creating a labor force enhancement program.



Talking Points: Developing the Local Labor Force

Since the early 1980s, labor force skills have been of major importance to a nation's economic competitiveness. One reason for this is the fact that new technology has heightened the crucial role labor now plays in industrial productivity. For industries to be competitive in the world market (either as producers of final products or as firms that provide intermediate inputs), their employees must have skills that significantly add value to the final product or represent a labor force that is willing to work for reduced wages.

As the E&E region continues its transition from a command economy to a market economy, the role the labor force plays in creating a good business climate takes on new importance. Some factors that contribute to the importance of emphasizing training and development of the region's labor force are:

- Availability of low-wage, low-skill labor in Asia
- Lack of experience of the E&E labor force in meeting customers' demands in a free market economy
- Obsolete management practices and equipment used in state-run enterprises
- Global movement toward a more flexible industry-labor market structure
- Elimination of state subsidies for transportation of materials and products, thus adding cost to products in E&E
- Changing technology used for production, which requires new skills.

For countries in the E&E region to address the impact of some or all of these factors, local governments and community groups interested in economic development must take steps to develop an accurate profile of labor force demand. Elements of the profile should correspond to the stages of business development and the business category. The following matrix provides an example of the relationship of these factors to labor force enhancement programs.

Labor Force Skill Demand Analysis Matrix

Stages of Development \ Business Category	Primary Industries/ Manufacturing	Primary Industries/ Service or Information	Secondary Industries	Tertiary/ Personal Services
	Primary Industries/ Manufacturing	Primary Industries/ Service or Information	Secondary Industries	Tertiary/ Personal Services
Startup	High	High	High	High/Medium
Expanding	High	High	High/Medium	Medium
Maintaining	Medium/Low	High	High/Medium/Low	Medium/Low
Declining	Low	Low	Medium/Low	Low
Dying	Low	Low	Low	Low

Note: High, medium, and low refer to the typical requirements for labor force skills.

Once a community has determined the labor skill match or mismatch, and assessed the types of industries, it can make more informed decisions about the type of labor force enhancement programs it needs.

The difficulty in developing programs for labor force enhancement arises from the fact that labor is mobile. While enhancement of physical assets and financial incentive programs (as described in Session 5) can be fixed within the boundaries of one community, people will travel to neighboring communities for work. This is not a cultural tradition of people in E&E countries; however, data suggest that labor is becoming more mobile, especially workers who are highly educated and trained.

Because labor is mobile, resources for programs must reflect regional rather than municipal boundaries. It is thus important for community leaders to develop institutional relationships with national government offices such as the Ministry of Labor, national educational and training organizations, and labor unions. Further, it is necessary to develop strategic partnerships with regional and local educational, training, and employment organizations that can participate in service delivery.